



ECONOMIC ENABLING ENVIRONMENT



Photo by CLC

U.S. Ambassador William Taylor and Acting Chairman of the High Economic Court Serhiy Demchenko launch the Registry of Judicial Decisions.

THE CHALLENGE

Ukraine needs to shed burdensome over-regulation, and make the investment environment more business friendly. The high cost of doing business and lack of an enabling environment and the associated high risk create a drag on business investment.

PROGRAM OBJECTIVES

- Improve the business climate for Ukrainian SMEs through policy and regulatory reform.
- Help reduce obstacles to developing private enterprises, complex business registration, licensing, and certification requirements.
- Assist in fulfillment of WTO Commitments and Ukraine's accession to the WTO.
- Assist in developing and implementing: policy reforms to decrease agricultural taxes and subsidies; regulatory reform; and privatization of government owned agricultural facilities.
- Assist in drafting and implementing legislation that will improve the infrastructure for a stable investment environment.
- Reconcile conflicts between the Civil and Economic Codes.

OVERVIEW

USAID legal and regulatory reform programs are working to improve the business climate by reducing unnecessary government regulations and improving economic and business conditions to attract both domestic and foreign investment; providing technical assistance for skills training and improving microeconomic conditions.

OUR PROGRAMS

WTO

USAID is assisting Ukraine to integrate further into the global economy. USAID's Trade, Investment and Business Acceleration Project (TIBA) is assisting Ukraine in concluding the WTO accession process and in implementing its WTO commitments, particularly those related to Sanitary-Phytosanitary Measures, Technical Barriers to Trade and Government Procurement; and assisting Ukraine's private sector in benefiting from WTO accession.

Regulatory Reform

Through TIBA, USAID is also directing efforts to reduce the cost of doing business in Ukraine by improving the regulatory environment. TIBA is focusing on the following areas: 1) improving the implementation of the Regulatory Policy Law (RPL); 2) institutionalizing Regulatory Impact Assessment (RIA) and the Regulatory Impact Evaluation (RIE) as a required component of regulatory policy-making; 3) increasing the institutional capacity of the State Committee of Ukraine on Regulatory Policy and Entrepreneurship (SCRPE), which is charged with enforcing the RPL; 4) carrying out a program of quick deregulation in selected areas; and 5) increasing the business community's participation in regulatory reform and its ability to protect its rights and interests against excessive State control.

Agricultural Policy, Legal and Regulatory Reform Project

USAID is working with the Ukrainian government and private business to support growth of the country's agriculture and food sector, through new legislation, new practices and new policies, which includes integration into the global trading system.

Commercial Law

Commercial Law activities focus on assisting Ukraine in developing commercial systems and practices to create a juristic base for a market economy and legislation to support that market. USAID assistance concentrates on areas of commerce critical to market transition and supportive of reform in other sectors, such as: collateral law, bankruptcy and mortgage, and the prerequisites for commerce, including the enforcement of contracts and judicial decisions, a fair and transparent regulatory regime that facilitates commerce, and a legal environment conducive to foreign investment.

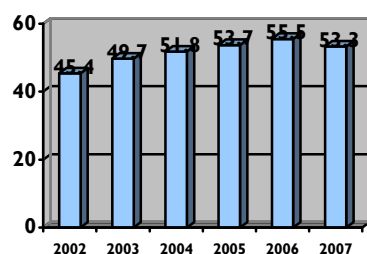
PROGRAM HIGHLIGHTS

WTO

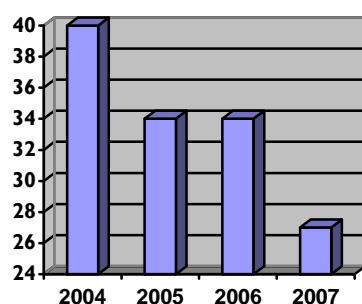
Ukraine received WTO membership on February 5, 2008. USAID provided technical assistance for much of the accession package:

- assisted in preparation of key documents for harmonization reflecting 30 international Codex, World Organization for Animal Health (OIE) and Integrated Pollution Prevention Control (IPPC) standards.
- prepared a manual on Sanitary and Phytosanitary (SPS) Notifications and Enquiries; eight sublegal acts to implement SPS laws have been prepared, of which seven have been adopted.
- assisted in reducing list of goods subject to mandatory certification.
- prepared a Master plan for reducing corruption in government procurement and draft proposals to amend the law on government.
- assisted with adoption of ISO 22000:2005 on Hazard Analysis Critical Control Points (HACCP) and development of a manual for dairy industry adjustment to HACCP

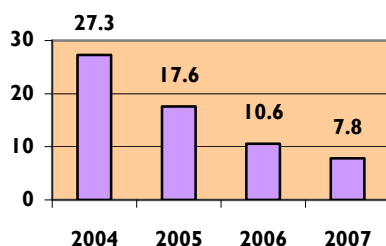
Index of Economic Freedom (Source: The Heritage Foundation)



Business Start Time, days (Source: Doing Business 2008)



Business Registration Cost, % GNI per capita (Source: Doing Business 2008)



Implementing Partners:

TIBA: Booz Allen Hamilton

AgPolicy: Abt. Associates, Inc.

Commercial Law: Emerging Markets Group, Ltd.

For more information, please contact
USAID/Ukraine Development
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<http://ukraine.usaid.gov>

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Regulatory Reform

- assisted in drafting amendments to the Regulatory Policy Law (RPL) that are designed to broaden its application by eliminating loopholes; to tighten public notification requirements when regulatory acts are proposed; to clarify requirements for Regulatory Impact Analysis/Evaluation in order to improve the effectiveness of the analysis; and to provide for harsher penalties for violations of the RPL.
- assisted in drafting amendments to 21 laws and to the Rules of the Cabinet of Ministers to bring them into compliance with the RPL.
- in collaboration with SCRPE, prepared a comprehensive Regulatory Policy Law Manual that covers all aspects of RPL implementation using examples taken from actual State agency practice. The manual will be distributed to State agencies, business associations and NGO's. It will also be available on SCRPE's and TIBA's web sites.
- in collaboration with SCRPE, developed a proposal to carry out quick deregulation in problematic areas that are directly relevant to Ukraine's preparations for hosting the European Soccer Championship in 2012, i.e., in construction and land; permitting; licensing; and tourism. The program is designed to include the effective participation of the business community. Quick deregulation has been included in the President's national agenda to improve the business environment, and the proposal is awaiting final approval by the Cabinet of Ministers.

AgPolicy:

- the project succeeded in convincing the Yanukovich government to place the following provisions in the 2008 budget: a) further diminishing special agricultural VAT regimes for meat and milk producers; b) replacement of indirect subsidies (special VAT) with direct subsidies; c) lowering direct subsidies and redirecting government resources to WTO approved green box subsidies; d) amendments to fixed agricultural tax. All these proposals were adopted in the Yanukovich government proposed Tax Code and GOU program for agricultural development.
- Regulatory reform requirements were met through: 1) adoption of a Cabinet of Ministers Resolution to implement the grain market development program, proposed in the President's decree on grain market development, 2) adoption by the GOU of a program to increase the role of private insurers in agricultural risk management, and 3) acceptance by the Ministry of Agricultural Policy of a comprehensive review of role of government regulators in the agricultural market.

Commercial Law

- assisted with preparation of the new Civil Code, (passed by Parliament in 2003 and took effect on January 1, 2004); drafted Book IV (Intellectual Property Rights - IPR) of the Civil Code in accordance with international IPR protection and enforcement.
- in collaboration with the World Bank, assisted in improving a new Secured Transactions Law, passed in November 2003. The law expanded the concept of security interest and rights that can be used as collateral; defined proper registration procedures and priority provisions; improved the mechanisms for enforcement of collateral; and decreased the opportunity for court interference with enforcement of collateral.
- provided assistance in drafting a new Bankruptcy Law, which was passed by Parliament and became effective in January 2000; facilitated the evolution of capital markets in Ukraine by providing technical assistance in the drafting and adoption of the laws "On Mortgage", "On Mortgage Securities", "On Securities and Stock Exchange" and "On Financial Leasing".
- took part in the drafting of the Law "On State Registration of Legal Entities and Individual Entrepreneurs" that provided for effective protection of third parties' rights in business deals, simplified and shortened the business registration procedure to 3 days with the introduction of a one-stop shop approach.
- initiated the drafting of a Credit Bureau Law in Ukraine; provided assistance in drafting, adopting and implementing a law on access to court decisions, which laid the legal foundation for the operation of the Unified State Registry of Court Decisions. USAID sponsored the procurement of hardware and upgrading of the Registry software, which opens up opportunities (1) for the general public to study court decisions; (2) for the court administrations to input their respective data more efficiently; and (3) for court cases to be assigned to judges randomly. Decisions of economic courts of all instances were also made available on the High Economic Court web-site; trained more than 7,000 public and private attorneys, approximately 3,000 bailiffs and 1,500 entrepreneurs.